



NWK Holdings Limited

2020

Consolidated interim financial statements for
the six months ended **31 October 2020**

NWK HOLDINGS LIMITED

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2020

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The consolidated interim financial statements have not been audited or independently reviewed, were prepared by D van Zyl, approved by the board on 11 December 2020, and published on 14 December 2020. This report has been published in English and Afrikaans. Should any discrepancies between the English and Afrikaans versions of the report exist, the English version should be regarded as the correct version.

DIRECTORS' REPORT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2020

In this report, which is presented as part of the consolidated interim financial statements, the board reports on the financial position of the company, its subsidiaries, associates and joint ventures at 31 October 2020, and the results of their operations and cashflows for the six months ended on that date.

STATEMENT OF RESPONSIBILITIES

The board of directors is responsible for the financial statements. In terms of this responsibility, it is the directors' duty to ensure that the financial statements fairly present the financial position and performance of the company; are accurate and complete; comply with the provisions of the Companies Act of South Africa, and have been prepared in accordance with the requirements of international financial reporting standards. The international financial reporting standards require that the directors scrutinise the going-concern principle when preparing the financial statements; identify relevant accounting policies to account for assets, liabilities, income and expenses; use judgement, and make accounting estimates and assumptions regarding the future.

INTERNAL FINANCIAL CONTROL SYSTEM

The board is responsible for the development, implementation and maintenance of an effective internal financial control system. The internal financial control system comprises all internal policies and financial controls and has been designed to ensure the integrity of financial information – in other words, to provide reasonable assurance that transactions are concluded according to policies and procedures; assets are protected; mistakes and fraud are prevented; the accounting records, financial statements and reports are accurate and complete, and that the applicable laws, financial reporting standards, listing requirements and codes are adhered to. The board is responsible for establishing and maintaining an independent audit committee and it is its duty to ensure that the company has an independent internal audit function that has the necessary resources and expertise, is efficient and follows a risk-based audit approach. The board scrutinises the effectiveness of the internal financial control system annually.

FINANCIAL AND OPERATING REVIEW

The group's focus on its core operations are bearing fruit, and in the six months ended 31 October 2020 an income of R1 239 million and profit of R116 million were realised, compared to income of R1 029 million and profit of R55 million in the corresponding period of the previous year.

The improvement in the results can be mainly attributed to the fact that, as essential service providers, customers could utilise the good agricultural conditions during the lockdown period, and also to relatively high grain prices.

Consequently, customers have funds available again to spend on capital projects. This is reflected in the enormous demand for steel and fencing. Unfortunately, the availability of these products is a significant problem. Tractor sales are still at high levels and the number of units sold to date is already more than double compared to the corresponding period last year. Sales of production materials like chemicals are also exceptionally high, which is an indication that producers are envisaging a good season. These trends are expected to continue for the rest of the season.

Grain receipts were also materially higher than in the corresponding period last year, with better results in the commodity segment as a consequence. Exports support local commodity prices. Producers therefore have the opportunity to conclude grain contracts for the coming delivery season at an earlier point.

The increase in grain inventory during the period led to a negative cashflow from operations. The lower prime lending rate had a negative effect on the financing and treasury results.

PROSPECTS

Agricultural conditions are very favourable at present and it seems as if plantings will occur in the optimal period and under optimal conditions. These conditions have not been experienced in the service area for a long time. We further expect plantings to expand in hectares at national level, and record harvests can therefore be expected in the summer rainfall areas. We expect liquidity in agriculture to improve further if the good agricultural conditions continue, and provide us as agribusiness with good opportunities too. To all our producers: all the best with the plantings.

DIRECTORS' REPORT (continued)

DIVIDENDS

On 11 December 2020 the board approved a dividend of 23 cents per share – R27 million in total – for distribution to the shareholders.

APPROVAL

The directors are of the opinion that the consolidated interim financial statements fairly present the financial position and performance of the company, are accurate and complete, comply with the provisions of the Companies Act, and have been prepared in accordance with the requirements of international financial reporting standards. The directors are of the opinion that the accounting policies are appropriate; that the material uncertainties relating to the preparation of the consolidated interim financial statements have been duly assessed, and that accounting estimates and assumptions are reasonable, prudent and unbiased and take into account the available and applicable information. The consolidated interim financial statements for the six months ended 31 October 2020 – as set out on pages 1 to 11 – were approved by the board on 11 December 2020 and signed on the board's behalf by:



L Vermooten
Vice-chairman

11 December 2020

STATEMENT OF FINANCIAL POSITION

AT 31 OCTOBER 2020

	October 2020	April 2020	October 2019
	R'm	R'm	R'm
Non-current assets	1 015	988	898
Property, plant and equipment	348	330	304
Investment property	9	4	8
Intangible assets	22	25	26
Investment in associates and joint ventures	194	172	175
Investments at fair value through other comprehensive income	4	3	4
Loans and lease receivables	428	454	381
Deferred tax assets	10	-	-
Current assets	4 836	1 956	2 934
Inventory	4 078	795	2 103
Trade and other receivables	532	1 092	714
Prepaid expenses	9	3	1
Assets from contracts with customers	12	-	7
Financial instruments at fair value through profit or loss	143	58	91
Cash and cash equivalents	62	8	18
Non-current assets held for sale	-	5	-
Assets	5 851	2 949	3 832
Equity attributable to the owners of the holding company	1 458	1 038	1 040
Share capital	220	44	44
Distributable reserves	1 238	994	996
Equity attributable to non-controlling interests	-	334	333
Equity	1 458	1 372	1 373
Non-current liabilities	11	19	17
Provisions	6	6	6
Lease liabilities	5	6	11
Deferred tax liabilities	-	7	-
Current liabilities	4 382	1 558	2 442
Trade and other payables	455	208	292
Accumulating compensated absences	37	33	34
Liabilities from contracts with customers	44	25	24
Provisions	12	5	8
Lease liabilities	21	10	10
Current tax liabilities	22	-	12
Financial instruments at fair value through profit or loss	581	58	523
Short-term loans	2 699	145	1 156
Overdrafts	511	1 074	383
Equity and liabilities	5 851	2 949	3 832

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 OCTOBER 2020

	Notes	October 2020	October 2019
		R'm	R'm
Revenue		1 239	1 029
Operating profit before finance charges	4	192	107
Finance charges		(62)	(42)
Operating profit		130	65
Proportionate share of the profits of associates and joint ventures		23	11
Pretax profit		153	76
Tax		(37)	(21)
Profit for the period		116	55
Other comprehensive income			
– Fair-value adjustment of the investment in listed and unlisted entities		1	(3)
Comprehensive income for the period		117	52
Profit attributable to the owners of the holding company		102	42
Profit attributable to non-controlling interests		14	13
Profit for the period		116	55
Comprehensive income attributable to the owners of the holding company		103	40
Comprehensive income attributable to non-controlling interests		14	12
Comprehensive income for the period		117	52
		October 2020	October 2019
		Cents	Cents
Basic and diluted earnings		120	55

The calculation of basic and diluted earnings per share has been based on the consolidated profit of R102 million attributable to the owners of the holding company and the weighted average number of 85 347 116 shares in issue and, in the case of the previous year, the consolidated profit of R42 million attributable to the owners of the holding company and the weighted average number of 76 212 828 shares in issue.

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 OCTOBER 2020

	October 2020	October 2019
	R'm	R'm
Opening balance	1 372	1 535
Comprehensive income for the period	117	52
Profit for the period	116	55
Other comprehensive income	1	(3)
Share issue	176	-
Effects of change of interest in subsidiary	(198)	(204)
Transaction costs relating to the acquisition of non-controlling interests in subsidiaries	(2)	-
Dividends	(7)	(10)
Equity at the end of the period	1 458	1 373
	October 2020	October 2019
	Cents	Cents
Dividends paid		
Dividend per share paid	6	5

STATEMENT OF CASHFLOWS

FOR THE SIX MONTHS ENDED 31 OCTOBER 2020

	October 2020	October 2019
	R'm	R'm
Cashflow from operating activities	(1 886)	(507)
Cashflow from operations	(1 835)	(513)
Finance income	50	71
Finance charges	(62)	(42)
Tax paid	(32)	(13)
Dividends paid	(7)	(10)
	(16)	(16)
Cashflow from investing activities	(18)	(20)
Property, plant and equipment acquired	(18)	(20)
Intangible assets acquired	-	(2)
Proceeds on the disposal of property, plant and equipment	-	2
Dividends received	2	4
	2 519	677
Cashflow from financing activities	2 550	895
Short-term loans	2 550	895
Repayments of lease liabilities	(7)	(14)
Cashflow at the increase of interest in subsidiary	(22)	(204)
Transaction costs relating to the acquisition of non-controlling interests in subsidiaries	(2)	-
	617	154
Change in cash and cash equivalents	(1 066)	(519)
Cash and cash equivalents at the beginning of the period	(449)	(365)
Cash and cash equivalents at the end of the period	(449)	(365)

SEGMENTAL REPORTING

FOR THE SIX MONTHS ENDED 31 OCTOBER 2020

The main objective of the group is to trade in agricultural and related products, resources and services and to undertake associated activities. The operating activities of the group have been divided into various segments for management purposes, namely agricultural commodities, retail and mechanisation, fertilisers, financing and treasury, oil press, insurance, cell insurance and agricultural limestone mining. Segments are aggregated from the operating departments of the group based on the products and services provided, the customer base served, the geographical area in which business is conducted, and the segment compositions of other agricultural companies. The group conducts its operations in North West, Gauteng and Mpumalanga.

	Revenue		Profit or loss	
	October 2020	October 2019#	October 2020	October 2019#
	R'm	R'm	R'm	R'm
Agricultural commodities	107	146	138	78
Retail and mechanisation	964	742	30	2
Fertilisers	122	72	5	2
Financing and treasury	93	143	33	52
External customers	41	64		
Other segments	52	79		
Oil press	-	-	13	4
Insurance	-	-	1	2
Cell insurance	-	-	1	-
Agricultural limestone mining	-	-	9	4
Corporate	5	5	(77)	(68)
Segmental revenue and profit	1 291	1 108	153	76
<i>Reconciliation of the segmental revenue and profit with the revenue and pretax profit stated in the statement of profit or loss and other comprehensive income</i>				
Segmental revenue and profit stated above	1 291	1 108	153	76
Intersegment transactions	(52)	(79)	-	-
Amounts stated in the statement of profit or loss and other comprehensive income	1 239	1 029	153	76

Comparative figures

Towards the end of the previous financial year, the group decided to divide the former trading segment into its retail, mechanisation and fertiliser components. The comparative figures have therefore been restated.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 OCTOBER 2020

1. ACCOUNTING POLICY

The accounting policies and principles applied in the preparation of the consolidated interim financial statements are in all material respects consistent with those applied in the consolidated annual financial statements of the year ended 30 April 2020.

2. GOING-CONCERN PRINCIPLE

When preparing financial statements, the board of directors investigates – on the basis of the financial information under review – the company's financial position, its financial and operating results; capital ratios; capital needs; financial obligations and their settlement dates; borrowing capacity; financial assets and their recoverability; cash-generating assets and cashflows; customer base and supply chain, as well as the general economic and agricultural conditions, current and expected market conditions, the political climate, existing and proposed legislation, and other significant sustainability matters. The board is of the opinion that the company is a going concern. The consolidated interim financial statements have therefore been prepared according to the going-concern principle.

3. SEASONAL BUSINESS

The objective of the group is to trade in agricultural and related products, resources and services and to undertake associated activities. This objective causes the revenue earned by the group and the resulting profit or loss to be exposed to the seasonal nature of agricultural activities. Agricultural commodities are usually received in the first six months of a financial year. On the other hand, the revenue earned by the retail, mechanisation and fertiliser departments rises in the last six months of a financial year when summer crops are planted. Traditionally, the group's key businesses therefore perform better in the last part of a financial year, subject to climatic conditions, crop yields of producers and commodity prices.

It is not only the financial results of the group that are seasonal – the group's statement of financial position and cashflows are equally influenced by the seasonal nature of agricultural activities. For example, the levels of loans and receivables are traditionally lower at the end of October when the production debt of the previous season has been settled, compared to the end of April, when the new production season is financed. On the other hand, stock levels, and especially the levels of agricultural commodities, are traditionally higher at the end of October compared to those in late April. The seasonal fluctuations in levels of inventory, agricultural commodities and trade and other receivables, together with the fluctuations in the levels of the bank and short-term loans with which the assets are financed, are therefore the reason why the group, when presenting its consolidated interim financial statements, presents a statement of financial position at the end of the comparative period of the previous year, despite the fact that the requirements of international financial reporting standards do not require it.

4. OPERATING PROFIT BEFORE FINANCE CHARGES

Operating profit before taking into account the expenses below
 Impairment charge on non-financial assets
 Write-off of inventory to net realisable value
 Credit losses on financial assets

Operating profit before finance charges

October 2020	October 2019
R'm	R'm
208	121
(5)	(1)
(3)	(5)
(8)	(8)
192	107

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

5. FAIR-VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES MEASURED ON A RECURRING BASIS AT FAIR VALUE

Investments at fair value through other comprehensive income

Fair value measured with level one input data

Fair value measured with level three input data

Financial instruments at fair value through profit or loss measured with level one input data

Net fair value of assets and liabilities measured at fair value

October 2020	April 2020	October 2019
R'm	R'm	R'm
4	3	4
1	2	2
3	1	2
(438)	-	(432)
(434)	3	(428)

6. FAIR-VALUE HIERARCHY OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

Loans and lease receivables

Trade and other receivables

Cash and cash equivalents

Fair value measured with level two input data

October 2020	April 2020	October 2019
R'm	R'm	R'm
428	454	381
532	1 092	714
62	8	18
1 022	1 554	1 113

7. FAIR-VALUE HIERARCHY OF FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

Lease liabilities

Trade and other payables

Short-term loans

Overdrafts

Fair value measured with level two input data

October 2020	April 2020	October 2019
R'm	R'm	R'm
26	16	21
455	208	292
2 699	145	1 156
511	1 074	383
3 691	1 443	1 852

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

8. RELATED-PARTY TRANSACTIONS

Revenue earned from related parties

Non-executive directors

Key employees

Joint ventures

Agricultural commodities bought from related parties

Non-executive directors

Key employees

Agricultural commodities sold to joint ventures

Value of transactions with related parties

	October 2020	October 2019
	R'm	R'm
Revenue earned from related parties	13	22
Non-executive directors	10	14
Key employees	1	1
Joint ventures	2	7
Agricultural commodities bought from related parties	46	33
Non-executive directors	43	30
Key employees	3	3
Agricultural commodities sold to joint ventures	516	394
Value of transactions with related parties	575	449

9. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any events after the reporting period having a material effect on the disclosed consolidated interim financial statements that have not already been dealt with in the consolidated interim financial statements.

CORPORATE INFORMATION

COUNTRY OF INCORPORATION

Republic of South Africa

TRADING PLATFORM

4 Africa Exchange Proprietary Limited

REGISTRATION NUMBER

1998/007243/06

4 AFRICA EXCHANGE SHARE CODE

4ANWKH

REGISTERED ADDRESS

81 Scholtz Street, Lichtenburg, 2740

**INTERNATIONAL SECURITIES
IDENTIFICATION NUMBER**

ZAE400000028

POSTAL ADDRESS

PO Box 107, Lichtenburg, 2740

TRANSFER SECRETARY

4 Africa Exchange Registry Proprietary Limited

NON-EXECUTIVE DIRECTORS

H Krüger

L Vermooten

FH Badenhorst

JJ du Preez

JP du Preez

J Mahne

JH Suurd

CF van Niekerk

EXTERNAL ISSUER AGENT

Pallidus Capital Proprietary Limited

BANKERS

Absa Bank

First National Bank

EXTERNAL AUDITOR

PricewaterhouseCoopers Incorporated

PUBLIC OFFICER

DPG Kleingeld

COMPANY SECRETARY

L Pieterse